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UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No. NE-06-11
PROGRESSIVE HOME FEDERAL SAVINGS & LOAN ASSOCIATION,)	Date: July 25, 2006
Pittsburgh, Pennsylvania (OTS No. 00495))	Re: Order No. NE-05-10

SUPPLEMENTARY AMENDMENT TO ORDER TO CEASE AND DESIST

WHEREAS, Progressive Home Federal Savings & Loan Association, Pittsburgh, Pennsylvania ("Progressive-Home" or the "Savings Association") is subject to Order to Cease and Desist (No. NE-05-10, "C&D Order No. NE-05-10"), including the Stipulation and Consent document appended thereto (the "Stipulation"), that was issued by the Office of Thrift Supervision ("OTS") on June 30, 2005; and

WHEREAS, in view of the Savings Association's high level of problem assets and related managerial weaknesses, as reported in the OTS Report of Examination concerning the January 30, 2006 examination of Progressive-Home (the "2006 Examination Report"), the OTS and Progressive-Home wish to enhance the Savings Association's ability to prudently manage its problem assets by setting forth terms that supplement and amend C&D Order No. NE-05-10; and

WHEREAS, Progressive-Home, by signing below, has consented and agreed to the issuance of this Supplementary Amendment to Order to Cease and Desist (the "Supplementary Order") pursuant to 12 U.S.C. § 1818(b);¹

NOW, THEREFORE, IT IS ORDERED, and C&D Order NE-05-10 is supplemented and amended as follows:

1.16. Management of Problem Assets

(a) The Savings Association shall engage in loan collection practices, foreclosure practices, and practices relative to its real estate owned ("REO") in a safe and sound manner conforming to applicable law, regulations, and industry best practices. In fulfilling this responsibility, the Savings Association, consistent with applicable law, regulations, and OTS guidance, shall take all appropriate actions reasonably designed to maximize the Savings Association's financial recovery with respect to its Problem Assets (as defined below). In furtherance of the foregoing, the Savings Association shall take all appropriate actions reasonably designed to safely and soundly reduce the

¹ All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

Savings Association's level of Problem Assets by, *inter alia*, bringing delinquent loans current, foreclosing on the collateral securing defaulted loans, and prudently disposing of REO.

(b) For purposes of this Supplementary Order, the term "Problem Assets" refers to:

- (i) All the classified loans/assets (*i.e.*, loans classified as substandard, doubtful, or loss) that: (A) are referenced in the 2006 Examination Report and/or are reported as classified in the Savings Association's Thrift Financial Report for the quarter ended March 31, 2006, and (B) remain on the books of the Savings Association;
- (ii) All other loans/assets of the Savings Association that, subsequent to March 31, 2006, that, currently or in the future, are classified (as substandard, doubtful, or loss) by the Savings Association or by the OTS;
- (iii) To the extent not previously covered by items (i) and (ii), all loans in foreclosure and all REO; and
- (iv) Any and all other loans (or groups of loans made to one borrower) that: (A) are past due 30 days or more, and (B) have an outstanding balance (or aggregate outstanding balances) exceeding \$100,000.

(c) No later than 10 calendar days following the Effective Date of this Supplementary Order, the Board, by duly adopted resolutions, shall designate a management official (the "Collections Manager"), who shall be a full-time employee, to: (i) oversee and manage the Savings Association's day-to-day efforts to collect on loans and foreclose on defaulted loans, and (ii) oversee and facilitate the Savings Association's compliance with the requirements of this Supplementary Order. Nothing in this Supplementary Order prevents the Savings Association from outsourcing certain functions to qualified third-party service providers, provided that the Board and the Collections Manager monitor and oversee the activities of such service providers.

(d) To facilitate the process of reducing the level of Problem Assets, the Board shall adopt and, by September 30, 2006 (or such later date as may be permitted by the OTS in writing), the Savings Association shall commence implementation of a comprehensive plan/program (the "Problem Assets Program") for the reduction of Problem Assets in conformity with subparagraph (a) above. The Problem Assets Program, which must be overseen by the Board and implemented on a day-to-day basis by the Collections Manager, shall be reasonably designed to facilitate the Savings Association's optimal recovery with respect to each Problem Asset. In conformity with the requirements below, the Problem Assets Program shall require:

- (i) Identification and updated spreadsheet tracking of each Problem Asset subject to the Problem Assets Program,
- (ii) Development and implementation of prudent Asset Action Plans with respect to each Problem Asset,
- (iii) Monitoring and reporting by the Collections Manager, and
- (iv) Oversight and guidance by the Board.

(e) Problem Asset Tracking Component of the Problem Assets Program. At a minimum, the Problem Assets Program shall provide for the updated identification and tracking of Problem Assets by the utilization of the following reports:

- (i) A “macro” report (in spreadsheet form) that lists each of the Problem Assets grouped according to status (*e.g.*, current, 90-days past due, in foreclosure, REO, written agreement to sell REO, etc.) that sets out pertinent information, including but not limited to, loan number, borrower name, amount outstanding, status, and Asset Action Plan number;
- (ii) Asset Action Plans with respect to each Problem Asset.

(f) Asset Action Plan Requirements. The Savings Association shall prepare and update an Asset Action Plan with respect to each Problem Asset. Each Asset Action Plan shall be reasonably designed, following consideration of appropriate information and prudent cost/benefit analyses, to provide for the timely and optimal recovery by the Savings Association with respect to the Problem Asset addressed by such plan. Among the strategies and actions to be utilized by the Problem Asset Program are: (i) the substantial collection of principal balance owed, (ii) enhancement or liquidation of collateral, (iii) the bulk sale of some or all of the Problem Assets, and/or (iv) new guarantees or other factors contributing to the improved quality of the asset. At a minimum, each Asset Action Plan shall include:

- (i) All necessary and appropriate information that is available to the Savings Association about the Problem Asset, including, but not limited to, original loan amount, outstanding loan amount, interest rate, maturity date, loan status, delinquency information, and loan classification (if any). Examples of other information that might be appropriate to consider for inclusion, where available, are: the current fair market value of the collateral (including the date of the most recent appraisal), cash-flow analysis of the borrower’s ability to repay the debt, evaluation of the highest and best use of the property, the financial condition of the borrower, the existence of any guarantees, the existence of other relationships with the borrower, the identification of possible purchasers of the Problem Asset, and the assessment of pending or possible legal actions by or against the Savings Association;
- (ii) The primary goal (and secondary goals, if any) of the Asset Action Plan, *e.g.*, restoration to a non-delinquent status, debt restructuring, enforcement of guarantees, sale of the loan at discount (through bulk sale or otherwise), foreclosure, and/or REO disposition. The Savings Association should update the goal(s) when changed circumstances warrant.
- (iii) Actions that are reasonably designed to accomplish the specified goal(s) and a related timetable addressing each contemplated action, *e.g.*, communications with the borrower, referral to a collection agency, the mailing of notices of default, the referral to legal counsel for commencement of foreclosure proceedings, and listing of REO with a qualified real estate broker;

- (iv) The persons and/or firms (which may include outsourced firms) who have been assigned primary responsibility for taking the specified actions; and
- (v) Status updates, describing the actions taken to date and the results thereof.

(g) Monitoring and Maintenance of Reports. On a regular basis, which shall be no less than monthly, the Savings Association (by its Collections Manager and/or other designated persons, which may include outsourced firms) shall prepare, update, and maintain the following reports:

- (i) The above-required “macro” report (in spreadsheet form) that lists each of the Problem Assets; and
- (ii) Asset Action Plans with respect to each Problem Asset.

(h) Board Oversight Component of the Problem Assets Program. By the 10th business day following the close of each calendar quarter, the Collections Manager shall provide to the Board a written report concerning the implementation of the Problem Assets Program (the “Problem Assets Report”). At the next meeting of the Board, the Collections Manager (together with other appropriate management and persons) shall make a verbal presentation to the Board about the Problem Assets Report and the implementation and results of the Problem Assets Program (as of the close of the immediately preceding quarter). At a minimum, the Problem Assets Report, as of the end of the recently closed quarter, must include:

- (i) The above-required, updated “macro” report that lists each of the Problem Assets; and
- (ii) The above-required updated status reports with respect to each of the Asset Action Plans.

During the Board meeting of each October, January, April, and July, the Board shall review and consider the most recently submitted Problem Assets Report, and the Board shall take appropriate actions in view of the information in each such report. The minutes of each such Board meeting shall document the Board's review of said report as well as summarize any related discussions and/or required actions.

1.17. Management and Disposition of Real Estate Owned

The Savings Association, in connection with its Problem Assets Program and otherwise, shall prudently and effectively manage and dispose of its REO in a manner that conforms to regulatory requirements and to the guidance in OTS Thrift Activities Handbook Section 251. At a minimum, the Savings Association, in managing and disposing of its REO generally and in developing and implementing its Asset Action Plans, shall:

- (i) Identify and keep track of the following: each parcel of REO, related loan information, the date the property became REO, the dates the appraisal was

ordered and received, the appraised "as is" fair market value of the REO, the identity of the pertinent attorney assisting the Savings Association, and the status of the disposition;

- (ii) Require the prompt ordering, receipt, and maintenance (in appropriate Savings Association files) of written appraisal reports for each parcel of REO in conformity with 12 C.F.R. § 560.172 (requiring appraisals at the earlier of an in-substance foreclosure or acquisition);
- (iii) Provide for prudent protection of each parcel of REO (including maintenance of appropriate insurance);
- (iv) Provide for monitoring of real estate taxes and other expenses relative to each parcel of REO;
- (v) Establish a methodology to facilitate prudent and informed REO dispositions consistent with the guidance in OTS Thrift Activities Handbook Section 251. In making the decision when and if to sell the repossessed property at the least cost to the Savings Association, the Savings Association (by its management and/or Board) should attempt to quantify pertinent costs and benefits.
- (vi) Establish procedures to facilitate communication by and among the Collections Manager, in-house accounting staff, lawyers, and others with tasks related to REO management; and
- (vii) Provide for the treatment of rental income, if any, received with respect to REO properties in a manner consistent with generally accepted accounting principles.

1.18. Maintenance of Collateral

Other than with respect to loans that have been paid in full in accordance with their contractual terms, the Savings Association shall not release its interest in any real estate or other collateral securing a loan except with the prior written non-objection of the OTS. The Savings Association may seek such prior non-objection by timely submitting to the OTS signed written requests, authorized by the Board (or a duly authorized committee thereof). Each such written request shall: (i) describe the requested collateral release, (ii) explain why the Savings Association has determined that its interests would be furthered by such release, and (iii) include copies of all pertinent promissory notes, mortgages, related contractual documents, and correspondence with the obligor.

1.19. Misc.

This Supplementary Order amends and supplements C&D Order No. NE-05-10 (including the Stipulation incorporated therein), which remains in full force and effect. Except for Paragraph 2 therein, the waivers and other provisions of the Stipulation executed by the Savings Association on June 29, 2005 are and shall be applicable to this Supplementary Order. The provisions of Part III of C&D Order No. NE-05-10 also are applicable to this Supplementary Order. To the extent there are any conflicts between the terms (including but not limited to deadlines) of this Supplementary Order

and the terms of the Matters Requiring Board Attention in the 2006 Examination Report, the terms of this Supplementary Order shall prevail.

By order of the Office of Thrift Supervision, effective this 25th day of July, 2006 (the "Effective Date").

PROGRESSIVE HOME FEDERAL SAVINGS & LOAN ASSOCIATION

OFFICE OF THRIFT SUPERVISION

By: MS/
Martin H. Keib
Chief Executive Officer

By: MS/
Robert C. Albanese
Regional Director, Northeast Region

Date: 7-19, 2006